

Message Text

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ORIGIN ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 INT-08 GSA-01

CEA-02 /170 R

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652 N/A

TAGS: EIND, FTRD, AR

SUBJ: US FERROUS SCRAP EXPORTS

EMBASSY'S VIEWS ARE REQUESTED ON FOLLOWING NOTE RECEIVED
FROM ARGENTINE EMBASSY ON AUGUST 2:

1. ... HAS THE HONOR TO REFER TO THE SERIOUS PREOCCUPATION
OF THE ARGENTINE GOVERNMENT WITH RESPECT TO THE MEASURES
RECENTLY ADOPTED BY THE AUTHORITIES OF THE UNITED STATES
ON ESTABLISHING A SYSTEM FOR RESTRICTING EXPORTATION OF
IRON AND STEEL SCRAP.

2. ALL THE SCRAP IMPORTED BY THE ARGENTINE REPUBLIC COMES
FROM THE UNITED STATES AND THE UNCERTAINTY OF THE SUPPLY
THAT SUCH A SYSTEM OF EXPORTATION INVOLVES IS CAUSING MUCH
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CONCERN WITHIN ECONOMIC SECTORS, BOTH PRIVATE AND OFFICIAL,

OF THE ARGENTINE REPUBLIC.

3. THE SUDDENNESS OF THE MEASURE HAS PREVENTED THE ARGENTINE INDUSTRY FROM OBTAINING IN TIME OTHER SOURCES OF SUPPLY, SO AS TO ASSURE THE NECESSARY RAW MATERIAL FOR THE BEST UTILIZATION OF ITS PRODUCTIVE CAPACITY DURING THE REMAINDER OF THE CURRENT YEAR.

4. THE CONSEQUENCES DERIVED FROM THIS SITUATION OF UNCERTAINTY WITH RESPECT TO SUPPLY IS EVEN MORE SERIOUS, IF WE TAKE INTO ACCOUNT THAT THE MAJORITY OF THE INDUSTRIAL PLANTS OF THE ARGENTINE REPUBLIC ARE NOT INTEGRATED, MAKING AN ADEQUATE SUPPLY OF SCRAP FOR THEIR OPERATION INDISPENSABLE.

5. IN ORDER TO BETTER APPRECIATE THE PROBLEM AND ITS CONSEQUENCE, IT IS APPROPRIATE TO COMMENT ON THE SAME:

A. IT WOULD REPRESENT A MINIMAL EFFORT FOR THE UNITED STATES TO ALLOW THE EXPORTATION OF 300,000 METRIC TONS DURING THE REMAINDER OF THIS YEAR, WHICH WOULD BE CONSIDERED AN ADEQUATE AMOUNT TO SUPPLY ARGENTINE INDUSTRY DURING THAT PERIOD, BEARING IN MIND THAT THE TOTAL U.S. EXPORTS OF SCRAP LAST YEAR AMOUNTED TO 6.8 MILLION METRIC TONS, AND THAT THE ESTIMATE FOR THIS YEAR, BEFORE THE MEASURES WERE TAKEN WAS 10.8 MILLION METRIC TONS.

B. THE MEASURE THAT HAS BEEN ADOPTED DOES NOT SIGNIFY A TOTAL PARALYZATION OF EXPORTS. THE PHILOSOPHY OF A SYSTEM OF PRIOR LICENSES IMPLIES THE ADOPTION OF SELECTIVE DISCERNMENT ON THE PART OF THE AUTHORITIES, SO AS TO CHANNEL EXPORTS IN ACCORDANCE WITH CERTAIN CRITERIA TO BE APPLIED IN THE INDIVIDUAL CASES.

THE ARGENTINE REPUBLIC UNDERSTANDS THAT, IN ACCORDANCE WITH SUCH SELECTIVE CRITERIA, PRIORITY WOULD BE GIVEN NOT WHERE ASSISTANCE WOULD BE INVOLVED, BUT RATHER LIMITED OFFICIAL USE

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TO AVOID INFLICTING INJURY ON THOSE DEVELOPING COUNTRIES, WHICH ARE ENGAGED IN A REAL EFFORT TO ACHIEVE INDUSTRIALIZATION, WHICH IS BECOMING DAY BY DAY INCREASINGLY DIFFICULT, DUE TO THE INCREASING COSTS OF THE RAW MATERIAL.

C. IN THE CASE OF THE ARGENTINE REPUBLIC, SUCH UNCERTAINTY ENTAILS A SERIES OF CONSEQUENCES OF ECONOMIC, SOCIAL AND POLITICAL ORDER.

IN ITS ECONOMIC AND SOCIAL ORDER, IF THE INDUSTRIAL PLANTS ARE NOT ASSURED OF SUPPLIES, THEY MAY BE FORCED TO REDUCE THEIR PRODUCTION CAPACITY, WHICH WOULD ADVERSELY AFFECT THEIR ECONOMIC AND FINANCIAL POSITION, AND COULD IN SOME CASES RESULT IN A REDUCTION IN THE LABOR FORCE WITH THE ATTENDANT SOCIAL PROBLEMS DERIVED FROM UNEMPLOYMENT.

CLOSELY CONNECTED WITH THE ABOVE IS THE POLITICAL ASPECT THE ARGENTINE REPUBLIC IS GOING THROUGH A SPECIAL SITUATION IN THIS RESPECT, SINCE IT IS ENGAGED IN RESTORING BY DEMOCRATIC MEANS AND THE RECOVERY OF THE COUNTRY, WHICH REQUIRES BASICALLY AN ORDERLY PLAN OF ECONOMIC MEASURES TO COMBAT INFLATION AND TO ACHIEVE A MORE SUITABLE DISTRIBUTION OF WEALTH.

6. FOR THAT REASON, THE UNCERTAINTY OF THE SUPPLY OF INDUSTRIAL RAW MATERIAL, RESULTING FROM THE MEASURE ADOPTED BY THE UNITED STATES, MAY CAUSE PROBLEMS IN THE ADEQUATE PLANNING OF MEASURES ALREADY ADOPTED IN SUCH ECONOMIC PLAN, THE FIRST RESULTS OF WHICH HAVE BEEN POSITIVE.

7. CONSEQUENTLY, THE EMBASSY OF THE ARGENTINE REPUBLIC ON BEHALF OF ITS GOVERNMENT, REQUEST THE DEPARTMENT OF STATE TO USE ITS GOOD OFFICES WITH THE APPROPRIATE AUTHORITIES TO ENSURE THAT PERMISSION BE GRANTED FOR THE EXPORTATION OF 300,000 METRIC TONS OF IRON AND STEEL SCRAP DURING THE SECOND HALF OF THE CURRENT YEAR, WHICH, IT IS ESTIMATED WOULD BE THE MINIMUM NECESSARY FOR THE NORMAL OPERATION OF THE ARGENTINE STEEL INDUSTRY. ROGERS
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